

DEJ-UDOM & ASSOCIATES
BUSINESS AND LEGAL UPDATE

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March 2010

POLITICAL UNREST

DEMONSTRATIONS IN BANGKOK

“Red Shirt” supporters of Taksin Shinawatra converged on Bangkok starting on March 12, 2010 to show their support for the former Prime Minister following last month’s court ruling against him. In February the Thai Supreme Court ruled that the nation had suffered damages due to the fact that the former Taksin Shinawatra had hidden his wealth and abused his power to benefit the sale of Shin Corporation. An estimated 100,000 supporters arrived in the nation’s capital and demonstrated at various locations. Protests continued into the following week, with Bangkok experiencing temporary office closures, traffic disruption and cancellations of business meetings.

SECURITIES & EXCHANGE

TAX BREAK EXTENSIONS

Companies listed on the Market for Alternative Investment (MAI) are renewing their call to have tax breaks extended for listed companies. The 26 companies listed on the MAI are hoping that their corporate tax rate will remain at 20% for at least another five years instead of returning to the regular rate of 25%. If tax incentives are extended, this would help encourage other companies to list on the MAI according to the Stock Exchange of Thailand (SET).

CROSS-LISTING

Cross-border listing rules are expected to be completed by the Stock Exchange of Thailand (SET) by August 2010. Thai owned joint ventures will be the first companies to cross-list on the exchange. The SET would also like to allow foreign companies to list, however there are still concerns about information disclosure issues.

PENALTIES FOR MANIPULATION

The Securities and Exchange Commission (SEC) has recommended that securities laws be amended to make insider trading and share manipulation punishable under the civil code. The reason would be to speed up prosecutions.

BANKING & FINANCE

FOREX RULES RELAXED

The Bank of Thailand (BOT) has announced to all financial institutions that foreign exchange rules will be relaxed. The banks are now permitted to make collective reports on non-resident transactions ranging from one to 25 million baht. Also, banks are no longer required to submit reports on interest-linked transactions.

MONEY LAUNDERING PROBLEMS

The Anti-Money Laundering Office (Amlo) has warned that Thailand needs to more strictly enforce anti-money laundering measures in order to avoid G20 country trade barriers. A new regulation is being proposed which would require financial professionals to report suspicious financial transactions to the Amlo.

LOWER BANK SERVICE FEES

The Bank of Thailand (BOT) and the Thai Bankers Association (TBA) are working together to reduce bank fees for payment and credit transfers so that they are based on actual costs. A study of the fees is expected to be completed by the first half of 2010.

BURMA LOAN REVIEWED

Following the Supreme Court ruling that former Prime Minister Taksin Shinawatra abused his authority with the Export-Import Bank of Thailand in making a loan to Burma, the Exim Bank is now reviewing the loan with the government. The loan was used to purchase telecom equipment and services from a company owned by members of the Shinawatra family.

INTELLECTUAL PROPERTY

STATUS UPGRADE

A recent United States hearing has reported that Thailand has made credible progress on protecting intellectual property rights. As a result, the Kingdom’s status will most probably be upgraded on the US intellectual property “Watch List”.

TAX

PROPERTY TAX FILING EXTENSION

The cabinet has extended the deadline for property transfers under the special tax rate until May 31, 2010 after property owners complained that they could not meet the March 28 deadline. After this date mortgage fees for property transactions increase from 0.01% to 1.0% and transfer fees increase from 0.01% to 2%.

GASOHOL TAX EXTENSION

The Energy Ministry has proposed to extend tax incentives for E85 gasohol in order to attract more users. The proposal calls for reducing excise tax on three classes of flexible fuel vehicles and extending the duty reduction period.

BOARD OF INVESTMENT

REGIONAL HEAD OFFICE INCENTIVES

The government is actively promoting companies to establish regional operating headquarters (ROH) in Thailand. The Board of Investment (BOI) has announced that ROHs would be entitled to corporate income tax exemption for ten years provided that they spend at least 15 million baht per year or 150 million baht over ten years and that they have from three to five foreign executives working in Thailand. After the initial ten years ROHs would be eligible to apply for tax exemptions for an additional five years. In addition, companies are now being given three years to expand their activities to three other countries instead of the current one year. Also under the change in rules, ROHs are no longer required to generate 50% of their income from overseas offices. The category of ROH was introduced in Thailand eight years ago and presently there are 81 companies which have qualified. All existing ROHs can qualify for the new privileges, however to do so they must submit a new application to the BOI.

TRANSPORTATION

AUTO PARTS PRODUCTION

Companies involved in the auto parts production are now running at almost full capacity according to reports. The information reflects a recovery in the automotive industry which expects to produce 1.4 million units this year.

TRANSPORTATION

AIRPORT PLANS DOWNSCALED

Airports of Thailand Plc is downscaling plans to expand Suvarnabhumi Airport. Construction of a domestic terminal and third runway will be delayed. Instead a satellite passenger terminal and people mover will be constructed. If approval is given by the Transportation Department and the cabinet, construction would commence in two to three years.

HIGH SPEED TRAIN

Construction could begin as soon as next year on a high speed train between Bangkok and Rayong. The government has announced plans for four high-speed train links between Bangkok and other parts of Thailand including to the Malay border, to Nong Khai in the northeast and to Chiangmai in the north.

CHIANG MAI AIRPORT

A major expansion project which began in 2004 has now been completed at the Chiang Mai airport. Thailand intends to attract more international carriers to land in the northern city.

ENVIRONMENT

NORTHERN AIR POLLUTION

A number of northern provinces are experiencing serious air pollution problems due to a haze caused by slash-and-burn farming practices. The Public Health Department handed out 600,000 face masks and hospitals are admitting record numbers of patients due to the smog.

BUSINESS

LABOR SHORTAGE PREDICTED

A government planning agency is predicting that Thailand will experience a labor shortage over the next five years due to an aging population. In addition there could also be a skilled labor and brain drain due to workers being given more job mobility through Asean.

EXPORT REVIVAL

Thai exports of food, fashions and textiles are expected to improve this year as a result of a worldwide economic recovery.

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